

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Encore Bancshares, Inc

Point of Contact:	L. Anderson Creel	RSSD: (For Bank Holding Companies)	3555341
UST Sequence Number:	79	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	34,000,000	FDIC Certificate Number: (For Depository Institutions)	34378
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 05, 2008	City:	Houston
Date Repaid ¹ :	N/A	State:	Texas

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

In 2010, we originated or renewed \$498.5 million in loans, and we would not have been able to extend as much credit, were it not for the additional capital cushion

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

We originated \$128.7 million in residential mortgages and \$369.8 million in commercial loans and mortgages

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☒ **Increase securities purchased (ABS, MBS, etc.).**

We increased securities balances by approximately \$101.6 million, which was primarily US government securities

☒ **Make other investments.**

We entered into commitments for CRA investments of approximately \$2.0 million.

☒ **Increase reserves for non-performing assets.**

We provisioned \$35.2 million to the allowance for loan losses during 2010. The allowance for loan losses was \$18.6 million, or 2.02% at December 31, 2010. We reduced our nonperforming assets from \$50.6 million at December 31, 2009 to \$35.8 million at December 31, 2010

☐ **Reduce borrowings.**

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☒ **Increase charge-offs.**

We absorbed \$43.0 million in net charge-offs and \$12.1 million in write downs on assets held for sale in 2010.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☒ **Held as non-leveraged increase to total capital.**

The CPP funds have allowed us to maintain a strong capital position, with a leverage ratio of 9.29% at March 31, 2011, which should allow us to lend more extensively as the expansion gets stronger.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We have been able to maintain our staffing levels and have actually increased our staff. In addition, we avoided any issues related to liquidity during a difficult 2010.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

In 2010, we completed the sale of our Florida operations. We would not have undertaken this effort had we not had the additional capital to absorb the related losses. We believe that the sale of these loans and deposits lowers the risk profile of the bank, improves our profitability and will allow us to deploy our capital more productively in Houston.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

None